

Accounting for Emergency Apportionments and Loans

LEAs may receive from the state various types of loans that have to be repaid in the future. Two of these loans are the following:

1. Building repayment loans
2. Emergency apportionments (loans) to LEAs as provided by *Education Code* sections 41320–41324

Loans of this type are recorded as debt issue proceeds (Other Financing Sources, accounts 89xx) and not as revenue because an offsetting debt is incurred. As was discussed previously, long-term debt for the governmental funds and the trust funds is recorded in the general long-term debt account group and not in these funds. Therefore, when the proceeds of these loans are received, the following entry is made to the appropriate funds:

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Cash (9110) Proceeds (89xx)	xxxx	xxxx
To record the receipt of the loan from the state			

The following entry is made for the general long-term debt account group:

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Amount to be provided for retirement of loan Loan Payable	xxxx	xxxx
To record the receipt of the loan from the state			

Repayment of Building Loans

The repayment of a state loan for a construction project will be accomplished automatically during the loan's repayment period (as specified in the loan agreement) by the withholding of the annual repayment amount from the regular apportionments being credited to the LEA. The practice of the State Controller is to make the withholdings over a period of four months—February, March, April, and May. Accordingly, during each of these months, a prorated portion of the total loan and the interest due will be subtracted

from the amounts due the LEA from the State School Fund in accordance with regular apportionments' calculations. This means that the credit to the LEA's funds as reported by the county superintendent will be smaller, by the same amount as the repayment on the loan, than the State Superintendent of Public Instruction's certification of the LEA's apportionment. The LEA must record the full amount of the apportionment before the reduction for the loan repayment and interest, and it must record the loan repayment and interest as expenditures.

Assume, for example, that the LEA received a building repayment loan for \$80,000 during the spring of year one. The loan agreement specifies that the loan will be repaid over a two-year period. In year two, \$40,000 plus \$4,800 interest will be deducted from the LEA's principal apportionment in four payments. The February, March, April, and May apportionments will be \$11,200 (\$10,000 + \$1,200 interest) less than the calculated amount.

In year one the following entry will be made in the General Fund:

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Cash (9110) Other Financing Sources (89xx)	\$80,000.00	\$80,000.00
To record the proceeds of the building repayment loan			

In year one the following entry will be made in the long-term debt account group:

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Amount to be provided for building loan payment Building loan payable	\$80,000.00	\$80,000.00
To record the building loan payable			

Assume that the LEA's February apportionment in year two was \$100,000; the LEA will receive \$88,800, and the following entries will be made:

In the General Fund

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Cash (9110) Principal Apportionment (8011)	\$88,800.00	\$88,800.00
To record the receipt of the February principal apportionment which had been reduced by \$11,200 for the loan repayment and interest due to the state (which will be expended out of the Tax Override Fund)			

In the Tax Override Fund

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	State School Building Repayment (7632) Cash (9110)	\$11,200.00	\$11,200.00
To record the principal and interest expenditures for the building loan repayment			

When the entry is made to record the expenditures in the Tax Override Fund, the following entry must be made in the General Fund to reflect the cash transferred to the General Fund from the Tax Override Fund:

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Cash (9110) Principal Apportionment (8011)	\$11,200.00	\$11,200.00
To record the transfer of cash from the Tax Override Fund and to recognize the balance of the February principal apportionment in the General Fund			

At the end of the year, adjustments will be made in the general long-term debt account group to reflect the amount of principal that has been repaid.

The entries using the standardized account code structure (SACS) would be:

In the General Fund

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Cash 01-0000-0-0000-0000-9110-000 Apportionment 01-0000-0-0000-0000-8011-000	\$88,800.00	\$88,800.00
To record the receipt of the February principal apportionment, which has been reduced by \$11,200 for the loan repayment and interest due to the state (which will be expended out of the Tax Override Fund)			

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Cash 01-0000-0-0000-0000-9110-000 Apportionment 01-0000-0-0000-0000-8011-000	\$11,200.00	\$11,200.00
To record the receipt of funds from the Tax Override Fund			

In the Tax Override Fund

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Loan Repayment		
	53-0000-0-0000-9100-7632-000	\$11,200.00	
	Cash		
	53-0000-0-0000-0000-9110-000		\$11,200.00
To record the principal and interest expenditures for the building loan repayment			

Emergency Apportionments

The repayment of emergency loans is done in the same manner as the repayment of building loans, except that the principal repayment must be accomplished over not more than a five-year period if the loan is issued pursuant to *Education Code* Section 41323 or ten years if the loan is issued pursuant to *Education Code* Section 41327. The interest and principal payment due annually on an emergency loan will be withheld from the LEA's regular apportionments and must be recorded as an expenditure. All entries are normally recorded in the General Fund and the general long-term debt account group.